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July 15, 2009

To: Service List

Re: Docket No. 2008-0274; Proceeding to Investigate Implementing a Decoupling Mechanism for Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., and Maui Electric Company, Limited

Enclosed please find post-hearing information requests ("IRs") prepared by the Commission's consultant, the National Regulatory Research Institute, for the above-referenced docket. The IRs are in response to issues raised at the panel hearing, held on June 29 to July 1, 2009. The HECO Companies are directed to respond to the first six IRs within fourteen days of the date of this letter. All Parties are directed to respond to the remaining IRs within twenty-eight days of the date of this letter.

In addition, as discussed at the panel hearing, the Commission directs the Parties to brief the following legal question in their post-hearing briefs to be filed in this docket:

"Is it lawful for the Commission to impose a decoupling charge on customer categories that have reduced their consumption, while granting a decoupling credit to customer categories that have increased their consumption, given the state policy of inducing a reduction in consumption? Please also discuss the advantages and disadvantages of allocating the decoupling charge based on increases, rather than decreases, in a customer category's consumption."

Please contact the undersigned if you have any questions.

Sincerely,

Kaiulani Kidani Shinsato
Commission Counsel

KKS:laa

Enclosure

Post-Hearing Information Requests

IRs for HECO Companies

1. Please identify and explain into which FERC accounts the HECO Companies place their investment into system reliability (investments that directly affect the HECO Companies' ability to keep the lights on)? Please explain any differences from the following FERC accounts: 352-358 for transmission, 361-368 for distribution and 390 for generation.
2. Please identify and explain into which FERC accounts the HECO Companies place their investment into customer additions? Please explain any differences from the following FERC accounts: 369-371.
3. Please quantify the effect (both revenue and projected ROE) of each of the following revenue enhancement tools associated with sales decoupling, with and without a RPC with reset (i.e., two cases for each letter below), consistent with the layout used by the HECO Companies in their most recent response to PUC-IR-14. Please provide the information prospectively and historically (as if in place).
 - a. Inter-rate case revenue adjustment equal to the authorized return and depreciation on net additions to the FERC accounts related to system reliability, with the last rate case as a base. Adjustments would operate similar to the REIPS mechanism (i.e., be made after plant is placed into service, and includes return on and of investment) and occur quarterly. Utilities would file annual estimates of net additions to these accounts, providing the Commission with prospective oversight as to the general reasonableness of the utility's investment into system reliability.
 - b. Inter-rate case revenue adjustment equal to the authorized return and depreciation on net additions to the FERC accounts related to customer additions, with the last rate case as a base. The utility would calculate these adjustments quarterly in a manner similar to the REIPS mechanism. Utilities would file annual estimates of net additions to these accounts, providing the Commission with prospective oversight as to the general reasonableness of the utility's investment into customer additions.
 - c. Inter-rate case revenue adjustment equal to difference in operating and maintenance costs associated with complying with Act 155, from those included in base rates. Adjustments would operate similar to the ECAC mechanism and occur quarterly.

- d. The O&M portion of the RAM proposed by the HECO Companies (i.e., RAM without rate base adjustments).
 - e. The total of items 4a, b and c.
 - f. The total of 4a, b and d.
4. Please quantify the effect that spinning reserve has on the utility's heat rate and what the effect would have been for the period 2004-2008 if fuel used for spinning reserve had not been included in the heat rate calculation.
 5. Please quantify the effect on the HECO Companies and customers for the period 2004-2008 for each utility had the ECAC held the utility responsible for heat rate performance of +/- 50 Btus from the target rate and then passed through any heat rate related changes onto customers beyond the performance band.
 6. Please confirm that line 35 on the most recent version of PUC-IR-14 represents the additional revenue generated by the RPC with reset at each rate case, and line 37f the estimated ROE.

IRs for All Parties

7. Please discuss the success and failures of decoupling in other jurisdictions (e.g., Maine).
8. Please discuss the pros and cons of implementing the revenue enhancements discussed at each 3a, b, c, and d of the Commission's post-hearing IRs.
9. Should the RAM concepts described at 3a and b be based on gross or net plant additions?
10. Please propose allocation methods among customer classes for each 3a, b, c and d and explain the basis for the allocation.
11. What should the Commission consider in selecting an ROE to use in calculating revenue enhancements between rate cases associated with rate base changes. Why should the ROE used in calculating the inter-rate case revenue adjustments based on rate base changes be equal to the ROE authorized in the rate case (per the proposed RAM), as the inter-rate case ROE appears to be guaranteed and the rate case ROE is an opportunity to earn the authorized return? Please discuss and quantify.
12. Please discuss the pros and cons of the Commission approving a RAM that consists of 3a, b and c with and without an RPC compared to the RAM proposed by HECO.

13. Please discuss the pros and cons of an ECAC in which (a) the utility bears the risk for heat rate changes within a performance band (e.g., plus/minus 50 Btu from the target) while (b) all changes in costs associated with heat rate changes outside the performance band are passed through to customers.
14. Please discuss the pros and cons of an ECAC that remained the same as the current ECAC but removed the Btus used for spinning reserve from the heat rate calculation.

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